One Hundred Thirty Five Million Reasons to Perform a Trademark Search

By Scott M. Hervey

A complete trademark search should always be the starting point anytime a company proposes to make use of a new mark. Some mistakenly hold the belief that a trademark search is only necessary prior to filing of a federal trademark registration application. This is not the case. Beginning use of mark without having surveyed the landscape for third parties with superior rights is a risky proposition and one which may have severe consequences.

Presently, it is unresolved whether a party has a duty to conduct a full trademark search before beginning to use a mark. However, there is a line of cases holding that the failure to conduct a trademark search can have a negative effect when assessing whether the party adopted an infringing mark innocently or with bad faith intent. In *Sands, Taylor and Wood v. Quaker Oats Company,* the defendant's failure to conduct a trademark search prior to launching a national advertising campaign utilizing the words THIRST AID in its popular slogan "Gatorade is Thirst Aid" was at issue. The plaintiff owned the incontestable trademark THIRST AID for nonalcoholic beverages and other types of soft drinks. In assessing the defendant's intent in adopting the infringing mark, the district court noted that "it is difficult to avoid a finding of bad faith when the overwhelming evidence shows that the defendant knew of the plaintiff's right in the THIRST AID mark and yet proceeded to air its advertising campaign in the face of that knowledge. The district court stated the "defendant had a duty to ensure, through a proper and timely trademark search that its campaign would not imitate an existing registered mark. As a highly sophisticated national marketer, defendant had access to every imaginable resource to avoid the slightest possibility of confusion."

Although the defendant's "duty" to conduct a trademark search prior to adopting its mark was not imposed on appeal, other courts have weighed a party's failure to conduct a trademark search when determining bad faith. Although a finding of bad faith is not essential to prove infringement where likelihood of confusion already exists, a finding of bad faith can be a substantial factor supporting a finding of likelihood of confusion. In addition, the finding of bad faith can increase the damages awarded to successful plaintiff.

In *International Star Class Yacht Racing Association v. Tommy Hilfiger, USA Inc.*, the Second Circuit intimated that a finding of bad faith would subject the infringer to liability for the plaintiff's attorney's fees. In that case the district court found that Hilfiger had infringed the Yacht Racing's Association's STAR CROSS trademark by placing that mark on its "nautical" clothing. In finding bad faith, the district court noted that Hilfiger's trademark attorneys had suggested Hilfiger conduct a full trademark search but that Hilfiger had only engaged in a limited search of the United States Patent and Trademark Office records. On appeal, the Second Circuit vacated district court's denial of attorneys fees and remanded the question of whether Hilfiger acted in bad faith, specifically noting that Hilfiger's "willful ignorance" in not conducting a full search should be considered in determining whether or not it acted in bad faith. On second remand to the district court it again held that Hilfiger had not acted in bad faith. The court noted that at the relevant time (1994) case law did not impose an obligation upon Hilfiger to do a more extensive trademark search. The court left open whether a party who intended to use and register a trademark after 1994 has a duty to conduct a full trademark search prior to use.

While current case law is unsettled as to whether or not a party seeking to register and/or use a trademark has a duty to conduct a full trademark search, a search and reliance on an opinion of counsel in clearing a mark may prevent an award of profits or attorneys fees. This is because

under the Lanham Act, a plaintiff is entitled to recover an accounting of the infringer's profits and possibly attorney's fees where the plaintiff is able to prove willful infringement.

In *Trovan Ltd. v. Pfizer, Inc.,* the Central District of California set aside a jury verdict in a case where the jury had awarded the highest damage award in any U.S. trademark case awarding $135,000,000 in punitive damages and $8,000,000 in compensatory damages. In reversing the punitive damage award, the court found that the evidence on the record failed as a matter of law to establish bad faith. In making its finding, the court pointed to a number of factors establishing good faith, including evidence that the defendants had conducted a full trademark search and relied on a thorough report of its counsel before adopting and using the mark.

The reliance on the advice of counsel is an element which can prevent the finding of bad faith. However, reliance on the advice of counsel has to be reasonable and for the good faith purpose of avoiding infringement. In *Chevron Chemical v. Voluntary Purchasing Groups, Inc.,* where the defendants consulted an attorney for advice on how to imitate the plaintiff's trade dress without being liable for infringement, the court determined that the consultation with their lawyer would not negate the defendants' bad faith intent. In addition, superficial opinion letters or an opinion letter from a lawyer who does not regularly practice in the area can undermine a defendant's claim of good faith.

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